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Washington, D.C. 20547

ANNUAL AUDITED REPORT
FORM X-17A-5
PART III

OMB APPROVAL

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**Information Required of Brokers and Dealers Pursuant to Section 17 of the
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder**

REPORT FOR THE PERIOD BEGINNING 01/01/07 AND ENDING 12/31/07
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER-DEALER: GWN Securities, Inc.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

11440 North Jog Road

(No. and Street)

Palm Beach Gardens

FL

33418

(City)

(State)

(Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Barry Rittman

561-472-2048

(Area Code - Telephone Number)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report*

KPMG

(Name - if individual, state last, first, middle name)

One Biscayne Tower, Two South Biscayne Blvd., Suite 2800, Miami, FL 33131

(Address)

(City)

(State)

(Zip Code)

CHECK ONE:

☒ Certified Public Accountant☐ Public Accountant☐ Accountant not resident in United States or any of its possessions.**PROCESSED**

MAR 20 2008

**THOMSON
FINANCIAL****FOR OFFICIAL USE ONLY**

*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See Section 240.17a-5(e)(2)

SEC 1410 (06-02)

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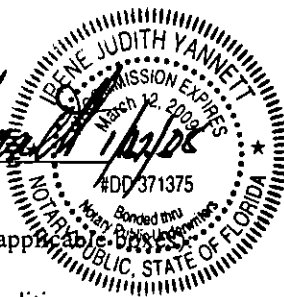
OATH OR AFFIRMATION

I, Denis Walsh, swear (or affirm) that, to the best of my knowledge and belief the accompanying financial statement and supporting schedules pertaining to the firm of GWN Securities Inc., as of December 31, 2007, are true and correct. I further swear (or affirm) that neither the company nor any partner, proprietor, principal officer or director has any proprietary interest in any account classified solely as that of a customer, except as follows:

Denis Walsh
Signature

President
Title

Judith Yannetti
Notary Public



- This report ** contains (check all applicable):
- ☒ (a) Facing Page.
 - ☒ (b) Statement of Financial Condition.
 - ☒ (c) Statement of ~~Income (Loss)~~ Operations.
 - ☒ (d) Statement of ~~Changes in Financial Condition~~ Cash Flow.
 - ☒ (e) Statement of Changes in Stockholders' Equity or Partners' or Sole Proprietors' Capital.
 - ☒ (f) Statement of Changes in Liabilities Subordinated to Claims of Creditors.
 - ☒ (g) Computation of Net Capital.
 - ☒ (h) Computation for Determination of Reserve Requirements Pursuant to Rule 15c3-3.
 - ☒ (i) Information Relating to the Possession or Control Requirements Under Rule 15c3-3.
 - ☒ (j) A Reconciliation, including appropriate explanation of the Computation of Net Capital Under Rule 15c3-3 and the Computation for Determination of the Reserve Requirements Under Exhibit A of Rule 15c3-3.
 - ☐ (k) A Reconciliation between the audited and unaudited Statements of Financial Condition with respect to methods of consolidation.
 - ☒ (l) An Oath or Affirmation.
 - ☐ (m) A copy of the SIPC Supplemental Report.
 - ☐ (n) A report describing any material inadequacies found to exist or found to have existed since the date of the previous audit.
 - ☒ (o) Independent Auditor's Report on Internal Accounting Control.

**For conditions of confidential treatment of certain portions of this filing, see section 240.17a-5(e)(3).



KPMG LLP
Suite 2800
One Biscayne Tower
Two South Biscayne Boulevard
Miami, FL 33131

Independent Auditors' Report

The Board of Directors
GWN Securities, Inc.:

We have audited the accompanying statements of financial condition of GWN Securities, Inc. (the Company) (a wholly owned subsidiary of World Investment Network, Inc.) as of December 31, 2007 and 2006, and the related statements of operations, changes in stockholder's equity, and cash flows for the years then ended that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of GWN Securities, Inc. as of December 31, 2007 and 2006, and the results of its operations and its cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The information included in Schedules I, II, and III is presented for purposes of additional analysis and is not a required part of the basic financial statements, but is supplementary information required by Rule 17a-5 under the Securities Exchange Act of 1934. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

KPMG LLP

February 26, 2008
Certified Public Accountants

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

Statements of Financial Condition

December 31, 2007 and 2006

Assets	2007	2006
Cash and cash equivalents	\$ 776,415	846,598
Commissions receivable	1,201,475	1,099,161
Deposit with clearing broker/dealer	25,000	25,000
Prepaid expenses and other assets	6,028	11,425
Equipment, net of accumulated depreciation of \$40,044 and \$31,434	9,651	14,082
Deferred tax asset, net	154,146	142,380
	<u>\$ 2,172,715</u>	<u>2,138,646</u>
 Liabilities and Stockholder's Equity		
Liabilities:		
Commissions payable	\$ 1,012,122	974,174
Accounts payable and accrued expenses	349,157	307,267
Deferred lease incentive	65,459	101,375
Management fee payable to affiliate	66,093	81,249
Income tax payable to the Parent	57,911	60,294
Total liabilities	<u>1,550,742</u>	<u>1,524,359</u>
Stockholder's equity:		
Common stock, \$0.01 par value.		
1,000 shares authorized; 100 shares issued and outstanding	1	1
Additional paid-in capital	636,273	636,273
Accumulated deficit	(14,301)	(21,987)
Total stockholder's equity	<u>621,973</u>	<u>614,287</u>
	<u>\$ 2,172,715</u>	<u>2,138,646</u>

See accompanying notes to financial statements.

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

Statements of Operations

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Revenue:		
Sales commissions	\$ 26,033,432	21,424,883
Investment advisory fees	4,461,506	4,017,005
Interest	53,926	52,762
Total revenue	<u>30,548,864</u>	<u>25,494,650</u>
Expenses:		
Commissions on sales and investment advisory fees	27,587,961	22,957,408
Salaries and employee benefits	1,240,959	1,046,412
Management fees to affiliate	916,466	1,019,786
Office expenses	550,729	477,315
Bank charges	11,073	9,958
Clearing expenses	16,168	986
Professional fees	90,734	86,704
Depreciation	8,610	12,843
Other expenses	114,479	67,879
Total expenses	<u>30,537,179</u>	<u>25,679,291</u>
Income (loss) before income taxes	11,685	(184,641)
Income tax (expense) benefit	(3,999)	69,153
Net income (loss)	<u>\$ 7,686</u>	<u>(115,488)</u>

See accompanying notes to financial statements.

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

Statements of Changes in Stockholder's Equity
Years ended December 31, 2007 and 2006

		<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Retained earnings (accumulated deficit)</u>	<u>Total stockholder's equity</u>
Balance, December 31, 2005	\$	1	636,273	93,501	729,775
Net loss		—	—	(115,488)	(115,488)
Balance, December 31, 2006		1	636,273	(21,987)	614,287
Net income		—	—	7,686	7,686
Balance, December 31, 2007	\$	<u>1</u>	<u>636,273</u>	<u>(14,301)</u>	<u>621,973</u>

See accompanying notes to financial statements.

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

Statements of Cash Flows

Years ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Net income (loss)	\$ 7,686	(115,488)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation	8,610	12,843
Deferred taxes	(11,766)	(129,447)
Changes in operating assets and liabilities:		
Commission receivables	(102,314)	(128,806)
Prepaid expenses and other assets	5,397	(1,598)
Due from related party	—	38,860
Commission payable	37,948	109,946
Accounts payable and accrued expenses	41,890	60,964
Deferred lease incentive	(35,916)	101,375
Management fee payable to affiliate	(15,156)	(99,273)
Income tax payable to the Parent	(2,383)	27,446
Net cash used in operating activities	<u>(66,004)</u>	<u>(123,178)</u>
Cash flows from investing activity:		
Purchases of equipment	<u>(4,179)</u>	<u>(11,990)</u>
Net cash used in investing activity	<u>(4,179)</u>	<u>(11,990)</u>
Cash flows from financing activity	<u>—</u>	<u>—</u>
Net cash provided by financing activity	<u>—</u>	<u>—</u>
Net decrease in cash and cash equivalents	(70,183)	(135,168)
Cash and cash equivalents, beginning of year	846,598	981,766
Cash and cash equivalents, end of year	<u>\$ 776,415</u>	<u>846,598</u>
Supplemental schedule of noncash financing activity:		
Income taxes paid	\$ 60,294	32,848

See accompanying notes to financial statements.

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

Notes to Financial Statements

December 31, 2007 and 2006

(1) Organization and Summary of Significant Accounting Policies

(a) Organization

GWN Securities, Inc. (the Company) is a registered broker/dealer and investment adviser and a member firm of the Financial Industry Regulatory Authority (FINRA). The Company is a wholly owned subsidiary of World Investment Network, Inc. (the Parent), a financial services holding company. Mutual funds, annuities, life insurance, and limited partnership interests are sold through the Company's independent registered representatives.

As a nonclearing broker/dealer and registered investment adviser, the Company does not carry security accounts for customers or perform custodial functions relating to customer funds or securities and is, therefore, exempt from the provisions of Rule 15c3-3 of the Securities Exchange Act of 1934.

(b) Use of Estimates

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles and general practice within the brokerage industry. In preparing the financial statements, management is required to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

(c) Reclassification

Certain amounts in 2006 have been reclassified to conform to the basis of presentation in 2007.

(d) Revenue and Expense Recognition

Commission income and expense from customer transactions are recorded on a trade-date basis. Fee income from investment advisory services is recorded as earned.

(e) Income Taxes

The Company files consolidated federal and state income tax returns with the Parent. The Company calculates income tax expense or benefit, and settles the current amount payable to or receivable from the Parent as if it files a separate tax return.

The Company utilizes the asset and liability method of accounting for income taxes. Under the asset and liability method, deferred income taxes are recognized for the tax consequences of temporary differences by applying enacted statutory tax rates applicable to future years for differences between the financial statement carrying amounts and the tax basis of existing assets and liabilities. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in the period that includes the enactment date.

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

Notes to Financial Statements

December 31, 2007 and 2006

(f) Cash Equivalents

The Company considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

(g) Equipment

Equipment is stated at historical cost less accumulated depreciation. Depreciation is computed using the straight-line method over the estimated useful life, which is three years. Total depreciation for the years ended December 31, 2007 and 2006 was \$8,610 and \$12,843, respectively.

(h) Recently Issued Accounting Pronouncements

In July 2006, the Financial Accounting Standard Board (FASB) issued FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes—an interpretation of FASB Statement 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements and prescribes a threshold of more-likely-than-not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. FIN 48 also provides related guidance on measurement, classification, interest and penalties, and disclosure. On February 1, 2008, the FASB issued FASB Staff Position No. FIN 48-2, *Effective Date of FASB Interpretation No. 48 for Certain Nonpublic Enterprises* (FSP FIN 48-2). FSP FIN 48-2 defers the effective date of FIN 48 for nonpublic enterprises within FSP FIN 48-2's scope to the annual financial statements for fiscal years beginning after December 15, 2007. The Company is in the process of assessing the impact of adopting FIN 48 on its results of operations and financial condition.

In September 2006, the FASB issued FASB Statement No. 157, *Fair Value Measurement* (Statement 157). Statement 157 defines fair value, establishes a framework for the measurement of fair value, and enhances disclosures about fair value measurements. The statement does not require any new fair value measures. The statement is effective for fair value measures already required or permitted by other standards for fiscal years beginning after November 15, 2007. The Company is required to adopt Statement 157 beginning on January 1, 2008. Statement 157 is required to be applied prospectively, except for certain financial instruments. Any transition adjustment will be recognized as an adjustment to opening retained earnings in the year of adoption. In November 2007, the FASB proposed a one-year deferral of Statement 157's fair-value measurement requirements for nonfinancial assets and liabilities that are not required or permitted to be measured at fair value on a recurring basis. The Company is currently evaluating the impact of adopting Statement 157 on its results of operations and financial position.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities—including an amendment of FASB Statement No. 115* (Statement 159). Statement 159 gives the Company the irrevocable option to carry most financial assets and liabilities at fair value that are not currently required to be measured at fair value. If the fair value option is elected, changes in fair value would be recorded in earnings at each subsequent reporting date. Statement 159 is effective for the Company's 2008 fiscal year. The Company is currently evaluating the impact the adoption of this statement could have on its financial condition, results of operations, and cash flows.

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

Notes to Financial Statements

December 31, 2007 and 2006

(2) Net Capital Requirements

Pursuant to the uniform net capital provisions of Rule 15c3-1 (the Rule) of the Securities Exchange Act of 1934, the Company is required to maintain minimum net capital equal to the greater of \$5,000 or 6⅓% of "aggregate indebtedness," as those terms are defined in the Rule. At December 31, 2007, the Company's net capital was \$413,236, which was \$309,853 in excess of its required net capital of \$103,383. The Company's net capital ratio was 3.75 to 1 at December 31, 2007. At December 31, 2006, the Company's net capital was \$395,135, which was \$293,511 in excess of its required net capital of \$101,624. The Company's net capital ratio was 3.86 to 1 at December 31, 2006.

(3) Related-Party Transactions

The Company paid \$164,592 and \$167,742, for each of the years ended December 31, 2007 and 2006, respectively, for rent to the Parent. The lease is month-to-month and may be canceled at any time.

The Company has a management agreement with an affiliate for management services. Amounts expensed under the agreement totaled \$916,466 and \$1,019,786 for the years ended December 31, 2007 and 2006, respectively.

(4) Income Taxes

Income tax expense (benefit) attributable to income (loss) from operations consists of:

	<u>Current</u>	<u>Deferred</u>	<u>Total</u>
Year ended December 31, 2007:			
U.S. federal	\$ 13,461	(10,046)	3,415
State and local	2,304	(1,720)	584
	<u>\$ 15,765</u>	<u>(11,766)</u>	<u>3,999</u>
Year ended December 31, 2006:			
U.S. federal	\$ 51,481	(110,526)	(59,045)
State and local	8,813	(18,921)	(10,108)
	<u>\$ 60,294</u>	<u>(129,447)</u>	<u>(69,153)</u>

Income tax expense (benefit) differs from the amount computed by applying the statutory federal income tax rate of 34% to income before taxes as follows:

	<u>2007</u>	<u>2006</u>
Tax expense (benefit) at statutory federal income tax rate	\$ 3,973	(62,778)
State income taxes, net of federal benefit	470	(6,671)
Other	(444)	296
	<u>\$ 3,999</u>	<u>(69,153)</u>

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

Notes to Financial Statements

December 31, 2007 and 2006

The tax effects of temporary differences that give rise to the deferred tax asset at December 31, 2007 and 2006 were as follows:

	<u>2007</u>	<u>2006</u>
Deferred tax assets:		
Accrued expenses	\$ 18,251	17,307
Deferred revenue	110,030	88,218
Deferred lease incentive	24,632	38,148
Depreciation	1,233	—
Total deferred tax assets	<u>154,146</u>	<u>143,673</u>
Less valuation allowance	<u>—</u>	<u>—</u>
	<u>154,146</u>	<u>143,673</u>
Deferred tax liability:		
Depreciation	<u>—</u>	<u>(1,293)</u>
Total deferred tax liability	<u>—</u>	<u>(1,293)</u>
Net deferred tax asset	<u>\$ 154,146</u>	<u>142,380</u>

In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. Based upon the level of historical taxable income and projections for future taxable income over the periods in which the deferred tax assets are deductible, management believes it is more likely than not that the Company will realize the benefits of these deductible differences.

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

Notes to Financial Statements

December 31, 2007 and 2006

(5) Commitments and Contingencies

(a) Litigation

The Company, in the normal course of business, is party to various legal actions. Management believes that the potential exposure, if any, from these matters would not have a material adverse effect on the Company's financial position, results of operations, or liquidity.

(b) Leases

Future minimum rental commitments for equipment under noncancelable operating leases are as follows:

Year ending December 31:	
2008	\$ 185,782
2009	<u>126,741</u>
Total	<u>\$ 312,523</u>

Rental expense for equipment was \$149,865 and \$44,631 for the years ended December 31, 2007 and 2006, respectively. Rent expense has been offset by amortization of lease incentives in the amount of \$35,916 and \$5,986 for the years ended December 31, 2007 and 2006, respectively. Lease incentives are deferred and amortized over the respective lease term.

Schedule I

GWN SECURITIES, INC.
 (A Wholly Owned Subsidiary of
 World Investment Network, Inc.)

Computation of Net Capital Under Rule 15c3-1
 of the Securities Exchange Act of 1934

December 31, 2007

Computation of net capital:

Total stockholder's equity qualified for net capital	\$	621,973
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Deduct nonallowable assets and other deductions and/or charges:		
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Nonallowable assets:

Commissions receivable, net	\$	540	
Prepaid expenses and other assets		6,028	
Equipment, net		9,651	
Deferred tax asset		154,146	
Fidelity bond deductible		38,022	
Other		350	

Total nonallowable assets		<u>208,737</u>	
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Net capital	\$	<u><u>413,236</u></u>	
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Amounts included in total liabilities which represent aggregate indebtedness – commissions payable, accounts payable and accrued expenses, deferred lease incentive, management fee payable to affiliate, and income tax payable to the Parent

	\$	1,550,742
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Computation of basic net capital requirement:

Minimum net capital required (the greater of \$5,000 or 6⅔% of aggregate indebtedness)

	\$	103,383
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Excess net capital

	\$	309,853
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Excess net capital at 1000% to (net capital less 10% of aggregated indebtedness)

	\$	258,162
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Ratio of aggregate indebtedness to net capital

3.75%

Note: See Schedule II for reconciliation of computation of net capital pursuant to uniform net capital Rule 15c3-1 to the Company's corresponding unaudited Form X-17A-5, Part IIA filing.

See accompanying independent auditors' report.

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

**Reconciliation of Computation of Net Capital Pursuant
to Uniform Net Capital Rule 15c3-1 to the Company's
Corresponding Unaudited Form X-17A-5, Part IIA Filing**

December 31, 2007

There were no material differences between the computation of net capital under rule 15c3-1 included in this audited report and the computation included in the unaudited Form X-17A-5, Part IIA filing as of December 31, 2007.

See accompanying independent auditors' report.

GWN SECURITIES, INC.
(A Wholly Owned Subsidiary of
World Investment Network, Inc.)

**Information Relating to Possession and Control Requirements
Under Rule 15c3-3 of the Securities Exchange Act of 1934**

December 31, 2007

Exemption under Section (k)(2)(ii) is claimed:

All customer transactions are cleared through Pershing, an affiliate of the Bank of New York, on a fully disclosed basis. The Company holds no customer funds or securities. Any such funds or securities are promptly transmitted to the clearing broker/dealer. The Company is, therefore, exempt from the possession and control requirements under Rule 15c3-3 of the Securities Exchange Act of 1934.

See accompanying independent auditors' report.



KPMG LLP
Suite 2800
One Biscayne Tower
Two South Biscayne Boulevard
Miami, FL 33131

**Independent Auditors' Report on
Internal Control Required by SEC Rule 17a-5(g)(1)**

The Board of Directors
GWN Securities, Inc.:

In planning and performing our audit of the financial statements and supplemental schedules of GWN Securities, Inc. (the Company) (a wholly owned subsidiary of World Investment Network, Inc.), as of and for the year ended December 31, 2007 in accordance with auditing standards generally accepted in the United States of America, we considered the Company's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, we do not express an opinion on the effectiveness of the Company's internal control.

Also, as required by Rule 17a-5(g)(1) of the Securities Exchange Commission (SEC), we have made a study of the practices and procedures followed by the Company, including consideration of control activities for safeguarding securities. This study included tests of such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g), in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in any of the following:

1. Making quarterly securities examinations, counts, verifications and comparisons, and recordation of differences required by Rule 17a-13;
2. Complying with the requirements for prompt payment for securities under Section 8 of Federal Reserve Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls, and of the practices and procedures referred to in the preceding paragraph, and to assess whether those practices and procedures can be expected to achieve the SEC's above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with U.S. generally accepted accounting principles. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control and the practices and procedures referred to above, error or fraud may occur and not be detected. Also, projection of any evaluation of them to future periods is



subject to the risk that they may become inadequate because of changes in conditions or that the effectiveness of their design and operation may deteriorate.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first and second paragraphs and would not necessarily identify all deficiencies in internal control that might be material weaknesses. We did not identify any deficiencies in internal control and control activities for safeguarding securities that we consider to be material weaknesses, as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the SEC to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2007 to meet the SEC's objectives.

This report is intended solely for the information and use of the Board of Directors, management, the SEC, the Financial Industry Regulatory Authority (FINRA) and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

February 26, 2008
Certified Public Accountants

END